



**Fact Sheet on the
Draft Environmental Cooperative Agreement
between
Madison Gas and Electric Company
and
Wisconsin Department of Natural Resources**

Following a Public Comment Period, the Wisconsin Department of Natural Resources (DNR) will determine whether to sign an Environmental Cooperative Agreement (Agreement) with Madison Gas and Electric Company (MGE) that focuses on the Blount Generating Station in Madison, Wisconsin. This Agreement was developed under Wisconsin's Environmental Cooperation Pilot Program pursuant to Section 299.80, Wis. Statutes.

A. Background

MGE provides energy to 125,000 customers in Wisconsin. MGE's Blount Generating Station (BGS) is located at 717 East Main Street, Madison, in Dane County. The plant consists of nine boilers and six turbine generators with a total installed capacity of 200 Megawatts. BGS typically generates electricity daily throughout the year, but is not considered a base load plant. It produces about 10-15% of the electricity used by MGE's customers.

MGE applied for the Environmental Cooperation Pilot Program by submitting a proposal for an environmental cooperative agreement to DNR on September 7, 2000. Later that month the company convened for the first time a Community Environmental Advisory Group (CEAG), which was formed to solicit feedback and suggestions related to MGE's participation in the pilot program. On July 24, 2001, DNR announced its official decision to negotiate with MGE and published a counterproposal. DNR's counterproposal took into consideration the goals and requirements of the pilot program, the agency's priorities, comments by the U.S. Environmental Protection Agency, and opinions expressed by CEAG members during several meetings hosted by MGE. After detailed negotiations, MGE and DNR have resolved the differences between MGE's proposal and DNR's counterproposal. DNR and MGE now seek public comments on a draft environmental cooperative agreement.

B. MGE Commits to Superior Environmental Performance

MGE is building a tradition of environmental leadership that reflects the values of its customers. The company received the Wisconsin Partners for Clean Air Recognition Award in May 2002 and has been honored by the National Arbor Day Foundation five years in a row for quality tree care. For the past three years, MGE has voluntarily collected used mercury-containing thermostats from customers and arranged for the mercury to be recycled. MGE has also been a leader in developing renewable energy in Wisconsin. The company built a wind farm before the State set minimum renewable power requirements and has one of the first three utility programs in the U.S. to be accredited by the National Green Pricing Accreditation Initiative. MGE has also showed leadership by developing 13 solar power demonstration projects throughout its service area. MGE and its employees are active supporters and participants in Earth Day activities,

Madison EcoTeams, Trees for Tomorrow, the City of Madison's Climate Protection Plan, and Sustain Dane.

In recent years, MGE has updated its environmental policy and is working to make its environmental management system (EMS) more consistent with the international standard for EMS, ISO 14001. The draft agreement would commit MGE to continue working to improve its EMS. It would also commit MGE to the following specific actions to strengthen the company's commitment to superior environmental performance:

1. Continue an ongoing study to **improve combustion efficiency** and environmental performance on one of its two largest boilers;
2. Install equipment to **improve effectiveness of an existing air pollution control device**;
3. Replace diesel fuels with **biodiesel fuels** in its vehicle fleet;
4. **Register voluntary emission reductions** in DNR's registry;
5. Research ways to **reduce diesel emissions** from off-site stationary generators;
6. **Increase use of alternative fuels that burn cleaner than coal**;
7. Attempt to **increase beneficial reuse of fly ash and bottom ash**;
8. **Increase mercury recycling** efforts beyond current voluntary efforts, and develop a plan for managing mercury-containing equipment throughout the company;
9. Develop a plan to **accelerate replacement of PCB transformers**;
10. Collaborate with outside experts to **minimize hazardous waste**;
11. Collaborate with DNR on a **stormwater pollution prevention demonstration project**;
12. Research options to **reduce thermal discharge** to Lake Monona;
13. **Study co-generation possibilities** for BGS; and,
14. Quickly **address noise concerns** raised by neighbors.

C. Flexibility to be Granted by DNR

The draft agreement would not grant any variances to existing environmental standards, emission limits, or pollution control requirements, nor would it exempt MGE from any such requirements in the future. All pollution limits applicable to MGE would remain at least as stringent as they would otherwise be, as well as verifiable and enforceable.

The draft agreement would, however, provide more flexibility to MGE by reducing certain administrative requirements for monitoring and reporting. DNR negotiated terms to ensure that this flexibility would still provide adequate levels of regulatory oversight. The result is that these alternative procedures would save MGE and DNR both time and money, without jeopardizing environmental quality. In addition, the agreement would:

1. Encourage greater use of solid waste materials as alternative fuels, **when the materials are cleaner-burning than coal**, by:
 - Eliminating a cap in MGE's air permit on the amount of "PDF" (paper/plastic-derived fuel) that MGE is allowed to burn each year, *without* changing *any* emission limits or control requirements. The cap was included in the permit in order to ensure compliance with a state rule. DNR has recently concluded that the cap is much more restrictive than needed to ensure compliance.
 - Granting approval for MGE to use as PDF two new types of paper-derived wastes that comply with DNR standards. The materials currently go to landfills.
 - Expediting review of future requests by MGE to use other solid wastes as alternative fuels. DNR would approve or deny each such request within 30 days of receiving complete information from MGE. Fuels would have to meet all environmental standards.

2. Eliminate operational requirements in MGE's air pollution control operation permit that were imposed by DNR in order to reduce fugitive dust blowing from the coal pile and into the neighborhood. After the permit was issued, MGE implemented an approach that is more effective than the operational requirements in the permit. MGE invested more than \$5 million in *permanent* solutions, including a 30-foot high wall that surrounds the coal yard.

D. Benefits of Agreement

The draft agreement negotiated by DNR and MGE is consistent with the goals and requirements of the Environmental Cooperation Pilot Program. DNR and MGE carefully considered a range of significant factual, legal, methodological and policy questions in order to create a draft agreement that promises real environmental and economic improvements. The result is a draft agreement that carefully spells out the specific actions MGE would take that would yield environmental benefits. Among other things, these actions would lead to reductions in air emissions from the BGS power plant and MGE vehicles, and possibly from off-site diesel generators; reductions in stormwater discharges and, perhaps, thermal discharges; and beneficial use of or energy recovery from significant amounts of waste materials that would otherwise go to landfills. MGE will evaluate and quantify the actual benefits from this agreement annually in a report to DNR and the CEAG.

E. Community Involvement and Building Trust

MGE is taking extraordinary and unprecedented steps to encourage public participation and consensus in the development of the innovative environmental regulatory methods included in the draft agreement. To date, MGE has sponsored 9 meetings of the CEAG stakeholder group, each lasting 3 hours or longer. CEAG includes representatives from the surrounding neighborhood association, local businesses, environmental groups, and DNR, as well as an elected local official and an advocate for the interests of low-income families.

MGE and CEAG have worked hard and will continue to work hard to build mutual trust through open communication. They will work toward support of early and credible conflict resolutions on issues concerning the environment and environmental regulation. Community involvement would continue throughout implementation of the draft agreement. The public would have increased access to performance evaluations and other useful information about the environmental and human health impacts of MGE activities. CEAG members would be involved in monitoring the environmental performance of projects implemented under the agreement.

For more information or a copy of the draft agreement between DNR and MGE:

Go to the Bureau of Cooperative Environmental Assistance website at:

<http://www.dnr.state.wi.us/org/caer/cea/ecpp> or contact John Shenot at (608)267-0802, or send email to John.Shenot@dnr.state.wi.us.